

International Finance

**Consortium Institute of Management
and Business Analysis
Spring 2013**



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Course Description

This course examines the financial policies and problems associated with firms doing business internationally. Topics include the foreign exchange environment, country risk, managing foreign exchange exposure, international working capital management, international capital budgeting, and international financial markets.

Course Expectation and Prerequisites

Introductory Financial Management – FIN3000
Managerial Accounting - ACTG2200
Principles of Microeconomics – ECON1100
Principles of Macroeconomics – ECON1200

Course Goals

1. To develop an understanding and appreciation of the critical financial issues facing managers of international firms and global investors in today's increasingly globalized world.
2. To develop a practical framework for the analysis of exchange rates and foreign exchange exposures including an understanding of forces affecting exchange rates, possible models and approaches for forecasting exchange rates, and techniques for managing various types of foreign exchange exposures.
3. To develop students' understanding of current issues and use of relevant data in the area of international finance through regular readings and discussions of articles in the financial press and through the use of appropriate on-line web sites.

Course Methods

The course will be a mixture of class discussion and lecture. To a greater extent than almost any course, this course's topics will be contained in the daily headlines. It will be critical to stay up-to-date on current events.

Class Procedure and Grading

Class will be a mixture of problem review, current event discussion, and lecture. You will be assigned textbook problems every week. We will review the problems in class. Following, there will be discussion of current topics/events. The class will complete with lecture on the next topic. Success in this class will occur through integration, not memorization. We will use economic techniques to objectively analyze economic events.

Grading

Interim Tests – 400 points (200 each)
Final – 250 points
Mini-case write-up (group score) – 200 points (50each)
Mini-case presentation (individual score) – 100 points (25 each)
Mini-case response (individual score) – 50 points

Tests – There will be three tests, the final of which will be cumulative. You may use a calculator. You may bring a one-page cheat sheet to each exam. Limit one letter- or A4-size page, one side. Please put your name on the cheat sheet and hand it in with the exam.

Mini-cases– The class will be broken into four groups. Each group will prepare four of the “mini-cases” from the text (or provided in advance). The group will present their comments. The other groups will provide Q&A discussion and elaboration.

Please submit each case write-up as a word processing document. (.doc, .docx, .rtf, .txt only). The file name of the write-up must hold to the following structure: Last name1_Last name2_IntlFin_Case#.

For example, if I were working with Joe French, the second mini-case would have a file name of:

French_Kline_IntlFin_Case2.docx

Please e-mail as an attachment to:

Bruce.kline@colorado.edu

Final Grades:

Final grades are subject to the grading policy of the Tippie School of Business.

The recommended distribution should be interpreted as indicating "top down" target maximums. For example, the target number of As in an elective course should be at most 40%; the total proportion of As and Bs should be no more than 80% (40% + 40%); and the total proportion of As, Bs, and Cs should be no more than 95% (40% +40% + 15%).

I will provide +/- grading.

Grievance Procedure:

Student concerns regarding this course should first be discussed with me. If we can't resolve the complaint, you may contact the Department Chair, Erik Lie 319-335-3733 erik-lie@uiowa.edu If you cannot resolve the complaint by speaking with the chair, you may contact the Associate Dean of the Tippie College Undergraduate Program, Lon Moeller, at 319-335-0924, or by email at lon-moeller@uiowa.edu”

Course Materials:

“*Fundamentals of Multinational Finance*” by Eiteman, Stonehill and Moffet (ISBN:9780321552136)

The European Wall Street Journal on-line will also be required. The main purpose of this requirement is to find current macroeconomic examples and to improve the students understanding of the European culture. I also strongly recommend www.economist.com

Class Schedule

Class Session	Topics	Assignments
1	Introductions <ul style="list-style-type: none"> • Description of International Finance <ul style="list-style-type: none"> ○ Macroeconomics ○ Derivatives ○ Operations ○ Capital Budgeting 	
2	Chapter 1. Globalization and the Multinational Enterprise Chapter 2. Financial Goals and Corporate Governance	
3	Chapter 3. The International Monetary System	Mini-Case 2
4	Chapter 4. The Balance of Payments	Mini-Case 3
5	Chapter 5. The Foreign Exchange Market	Mini-Case 4
6	Test	
7	Chapter 6. International Parity Conditions	Mini-Case 5
8	Chapter 7. Foreign Exchange Rate Determination and Forecasting	Mini-Case 6
9	Chapter 8. Foreign Currency Derivatives and Swaps	Mini-Case 7
10	Chapter 9. Transaction Exposure	Mini-Case 8
11	Chapter 10. Operating Exposure Chapter 11. Translation Exposure (Brief Comments)	Mini-Case 9
12	Chapter 12. Global Cost and Availability of Capital	Mini-Case 10
13	Chapter 13. Sourcing Equity and Debt Chapter 14. International Portfolio Theory and Diversification	Mini-Case 12
14	Test	
15	Chapter 15. Foreign Direct Investment and Political Risk	Mini-Case 14
16	Chapter 16. Multinational Capital Budgeting	Mini-Case 15
17	Chapter 17. Multinational Tax Management (Web Chapter)	Mini-Case 16

18	Chapter 18. Working Capital Management (Brief Comments)	Mini-Case 17
19	Chapter 19. International Trade Finance (Web Chapter)	Mini-Case 18
20	Review	Mini-Case 19
21	Final Examination	

This course schedule is subject to modification at the discretion of the instructor. Cases assigned may be either from the text itself or provided in advance.

Structural Policies

Virtually everything that concerns the structural mechanics of this class, including among other things course credit, dropping and adding, and academic misconduct is governed by the Tippie College of Business, University of Iowa. Specific structural policies in that regard include:

Accommodating Disabilities: If you have a disability that may require some modification of seating, testing, or any class requirement, please let me know as soon as possible so that appropriate arrangements can be made. Similarly, if you have any emergency medical information that I should be aware of, or if you need special arrangements in the event of the building being evacuated, please let me know. Please see me after or outside of class to discuss these issues.

Policy on Cheating: It is my sincere hope that no student in this class submits work which is not his or her own. However, it seems prudent to clarify in advance the policy on cheating. If I determine that any assignment was not written solely by the student whose name appears on the assignment, the student will receive a zero (0) for the assignment and may receive an “F” for the class. All incidents of cheating will be reported to the CIMBA Undergraduate Office and the Associate Dean of the Tippie College of Business and the student may be placed on disciplinary probation for the remainder of the semester. In general, the decision of the professor may be appealed to the CIMBA Undergraduate Staff and/or the College of Business Judicial Board, then to the Associate Dean for the Undergraduate Program. The Honor Code for the Tippie College of Business will determine the appropriate process. The Honor Code is located on the University of Iowa website.

Sexual Harassment: CIMBA, The Tippie College of Business and the University of Iowa are committed to providing students with an environment free from sexual harassment. If you feel that you are being or have been harassed or you are not sure what constitutes sexual harassment, we encourage you to visit the University of Iowa website: <http://www.sexualharassment.uiowa.edu/index.php> to seek assistance from the department chairs, Dean’s Office, the University Ombudsmen Office, or the Equal Opportunity and Diversity Office.

FERPA Requirement: To participate in this class, it may be necessary to reveal to other students the names of students who are enrolled in this course. If you do not want your name revealed to other students enrolled in this course, please contact me in writing by the end of the first week of class.

Class Attendance Policy

Attendance at all classes and CIMBA sanctioned activities is MANDATORY. All unexcused absences will have the following consequences:

- 1st absence will result in the loss of 1/3 of a letter grade in the class
- 2nd absence (cumulative) will result in the loss of an entire letter grade
- 3rd absence (cumulative) will result in dismissal from the program

Absences due to illness require a note from the CIMBA Undergraduate Office Staff and/or the Istituto Filippin medical staff. If you are sick and cannot attend class, you must inform the CIMBA Staff immediately with failure to do so will result in an unexcused absence.

Setting Appointments

My purpose here is to give you the best integrated learning experience possible. If you are having trouble or need more detailed instruction, please let me know. We will schedule time for review.